

Date of Meeting: July 18, 2006

**BOARD OF SUPERVISORS
ACTION ITEM**

#9N.

SUBJECT: Finance/Government Services Committee Report: Financial Performance Audit on Loudoun County Schools and County Government – Establishment of Blue Ribbon Panel

ELECTION DISTRICT: Countywide

RECOMMENDATION:

Previous Board Action:

At the June 6, 2006 business meeting of the Board of Supervisors, the Board voted 9-0 to approve KPMG to conduct a financial performance audit on Loudoun Public Schools and County Government at a cost not to exceed \$100,000 using FY 06 year end fund balance.

It was further moved that the Board of Supervisors task the Finance /Government Services Committee to organize a blue ribbon panel to consist of 12 persons, up to 45 days, of business experts from Loudoun County to work in conjunction with KPMG. (Attachment 1)

Committee: At the July 5, 2006 Finance/Government Services Committee meeting, the Committee voted 4-1 (Supervisor Burton – No) to, 1) recommend approval of the Blue Ribbon Citizens Audit Committee selection with 9 members to be appointed by District; 3 members to be appointed at-large with a specialization in finance; 2) recommend that a Board member serve as ex-officio member with Supervisor Staton serving in that capacity; and 3) reaffirmed the scope of work as defined by the five areas previously adopted by the Board on June 6, 2006.

BACKGROUND:

At the March 21, 2006 Board meeting, the Board voted 9-0, to direct staff to investigate the pricing and feasibility of hiring an outside auditing firm to perform a Financial Performance Audit on both the County school and government financial operations.

At the meeting, staff was further directed to include five specific areas that should be addressed within this audit framework. These areas include 1) Trends related to encumbrances and issuance of purchase orders as related to receipt of goods and services and payment of the same; 2) Compare spending authority in budgeted areas to spending patterns in those same areas. 3) Evaluate cancelled and stale encumbrances or purchase

orders and 4) Deferred spending or buying ahead – issuing purchase orders or otherwise encumbering funds for expenditures related to the next fiscal year; and 5) Examination of capital accounts.

Subsequent to that meeting, the Board of Supervisors directed Staff to contact KPMG on the performance of such a series of audit projects. The Board also voted to establish a “Blue Ribbon Citizens Committee” to work in conjunction to KPMG.

ISSUES:

- 1) Organizational Structure of Blue Ribbon Citizens Audit Committee. The motion establishes that the Committee would have up to twelve members. Does the Board wish to structure the committee to allow the appointment of individuals on the basis of Election District (such as is the case for the Planning Commission or Parks and Recreation Advisory Committee), or does the Committee envision a panel selected at-large, but with an emphasis on particular technical skills and knowledge (such as the Fiscal Impact Committee or the Economic Development Commission), or some other format?
- 2) Does the Board wish to advertise for interested citizens or to use a different selection process? Staff has attached (Attachment 2) the advertisements used for the Loudoun Health Council as an example.
- 3) Because KPMG is the Board’s outside auditor, the Board may wish to appoint Board Members as Ex-Officio members of the Citizens Committee (Such as on the Fiscal Impact Committee), or to otherwise interact with the ongoing efforts of the Blue Ribbon Committee?
- 4) Does the Board wish to further define the scope of work and timeline for the Blue Ribbon Committee? (Attachment 3 is the scope of work adopted for the 1997 Citizen’s Committee to Examine Equity and Fairness in Financing Growth and Services and is provided as an example)

FISCAL IMPACT:

Staff will provide basic administrative support to include scheduling and posting of meetings on the FOIA calendar; recording meetings; preparing meeting summaries and other meeting materials as needed to the Blue Ribbon Citizens Audit Committee. However, there is currently no budget set aside for normal operating costs.

DRAFT MOTIONS:

1. I move the recommendation of the Finance/Government Services Committee that the Board approve the Blue Ribbon Citizens Audit Committee selection

- with 9 members appointed by District and 3 members appointed at-large with a specialization in finance, and
2. I further move approval of the appointment of a Board of Supervisor Ex-Officio member , Supervisor Mick Staton to serve on the Blue Ribbon Citizens Financial Performance Audit Committee, and
 3. I further move that the scope of work as defined by the five areas previously adopted by the Board and listed on pages 1 and 2 of this staff report be reaffirmed.

Or

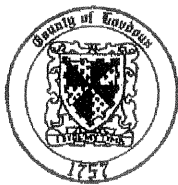
4. I move an alternate motion.

ATTACHMENTS:

Attachment #1:	Copy Teste, June 6, 2006 Board Meeting
Attachment #2	Sample Press Release for committee appointment
Attachment #3	Sample Scope of Work/Timeline

STAFF CONTACTS:

Leslie Hansbarger, Office of the County Administrator
Mark Adams, Director, Management and Financial
Services
Ben Mays, Deputy CFO, Management and Financial
Services
Paul Arnett, Comptroller, Management and Financial
Services



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At a business meeting of the Board of Supervisors of Loudoun County, Virginia, held in the County Government Center, Board of Supervisors' Meeting Room, 1 Harrison St., S.E., Leesburg, Virginia, on Tuesday, June 6, 2006 at 9:30 a.m.

PRESENT: Scott K. York, Chairman
Bruce E. Tulloch, Vice Chairman
James G. Burton
James E. Clem
Eugene A. Delgaudio
Sally Kurtz
Stephen J. Snow
Mick Staton Jr.
Lori L. Waters

IN RE: FINANCE/GOVERNMENT SERVICES COMMITTEE REPORT: FINANCIAL
PERFORMANCE AUDIT ON LOUDOUN COUNTY SCHOOLS AND
COUNTY GOVERNMENT

Mr. Tulloch moved that the Board of Supervisors approve KPMG to conduct a financial performance audit on Loudoun Public Schools and County Government at a cost not to exceed \$100,000 using FY06 year end fund balance.

Mr. Tulloch further moved that the Board of Supervisors task the Finance /Government Services Committee to organize a blue ribbon panel to consist of 12 persons, up to 45 days, of business experts from Loudoun County to work in conjunction with KPMG.

Seconded by Mr. Clem.

Voting on the Motion: Supervisors Burton, Clem, Delgaudio, Kurtz, Snow, Staton, Tulloch, Waters, and York - Yes; None - No.

COPY TESTE:

DEPUTY CLERK FOR THE LOUDOUN
COUNTY BOARD OF SUPERVISORS

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ATTACHMENT 2

DRAFT PRESS RELEASE

Board Seeking Representatives to Serve on Blue Ribbon Committee on Financial Performance Audit on Loudoun County Schools and County Government

The Loudoun County Board of Supervisors is seeking members to serve on a Blue Ribbon panel to work in conjunction with the Board's External Auditor, KPMG on a financial performance audit on Loudoun Public Schools and County Government. Interested candidates with a financial management background are encouraged to apply. This is a 12-member panel with 9 to be appointed by election district and 3 appointed at-large. In addition, a Board member representative will serve as ex-officio member. This is a Board appointed advisory committee and all meetings will be public and subject to the Virginia Freedom of Information Act and Conflict of Interest Act regulations.

The Board has established five specific areas that should be addressed within this audit framework. These areas include: 1) Trends related to encumbrances and issuance of purchase orders as related to receipt of goods and services and payment of the same; 2) Compare spending authority in budgeted areas to spending patterns in those same areas; 3) Evaluate cancelled and stale encumbrances or purchase orders; 4) Deferred spending or buying ahead, issuing purchase orders or otherwise encumbering funds for expenditures related to the next fiscal year; and 5) Examination of capital accounts.

Letters of interest and resumes should be sent by August 25, 2006 to:

Cherie Giles
Board of Supervisors' Office
1 Harrison St., SE, Fifth Floor
P.O. Box 7000
Leesburg, VA 20177-7000

You may also send an e-mail to fgiles@loudoun.gov or a fax to 703-777-0421. Questions should be directed to Leslie Hansbarger, Assistant to the County Administrator at 703-777-0200 or Mark Adams, Director of Management and Financial Services at 703-777-0563.

Overview and Scope

As called for in its Strategic Plan, the Loudoun County Board of Supervisors in January of 1997 appointed a Citizens' Committee to Examine Equity and Fairness in Financing Growth and Services and asked it to provide recommendations on "how to fund County services in a fair and equitable manner."

The Board of Supervisors has embraced several fundamental and enduring goals, three of which are of particular importance in understanding the work of the Citizens' Committee and this Report. These include: 1) Allocating taxpayer's money in a responsible, conservative manner; 2) Improving the County government's overall long term financial stability while working to ensure tax equity and the lowest possible tax burden for Loudoun's citizens; and 3) Providing for an effective, cost-efficient public school system.

The scope of work given the Committee was to:

Examine the current system of financing services and determine who pays what, and how much;

Determine an appropriate balance in terms of equity, between different segments of the community, in tax payments;

Examine the County's current taxation authority and recommend ways to structure taxes in an equitable manner; and

Include in the review the taxes, dues, payments and services provided by residents of incorporated towns and of planned communities with homeowner associations.

The Committee believes it was given free rein to review expenditures and revenues, in the broadest sense, and that its recommendations on how best to structure the County's revenue stream to achieve equity and fairness to the taxpayers will be given due consideration by the Board of Supervisors. For these reasons, the Committee did not limit its study and review strictly to the fairness of specific current tax policies.

The Committee interpreted its assignment broadly and looked at other sources of revenue, including contributions made in the form of proffers. In doing so, we attempted to meet the stated objective of the Board's Finance Committee to provide it with "options and answers on how to fund County services in a fair and equitable manner."

This Report represents the Committee's collective judgment and recommends a series of tax policy reforms, governmental policy reforms, and budget policy reforms that will assist the Board of Supervisors in meeting that objective.